

Message Text

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ACTION IO-14

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NESCO

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TAGS: AORG, AFIN, UNESCO

SUBJECT: UNESCO GENEVA GROUP MEETING OF JULY 19

REF: STATE 127184; 134142; 136024; PARIS 18565; 19134; 19256

1. GENEVA GROUP (UNESCO) MET JULY 19 UNDER UK CHAIRMANSHIP WITH ALL PRESENT BUT REPS OF JAPAN, SWEDEN AND BELGIUM. TOPICS CONSIDERED WERE: 1) FINANCIAL SITUATION OF ORGANIZATION; 2) TOPICS TO BE DISCUSSED AT HEADQUARTERS COMMITTEE MEETING JULY 23 24; 3) POSSIBILITY OF CALLING WE/O MEETING TO CONSIDER DG SUCCESSION; 4) GG MEMBER SUBMISSIONS OF OBJECTIVES/STRATEGIES PAPERS; AND 5) UK DRAFT RESOLUTION FOR 93RD EXBD ON MANAGEMENT SERVICES.

2. FOLLOWING IS SUMMARY OF DISCUSSIONS ON EACH OF ABOVE TOPICS:

A. FINANCIAL SITUATION: US REP, AS INSTRUCTED, ASKED GG VIEWS ON US-PROPOSED DR CALLING FOR FOUR POINTS CITED IN PARA 4 OF STATE 127184, IN PARTICULAR GRANTING OF LENDING AUTHORITY TO DG "ON EXCEPTIONAL, NON-RENEWABLE BASIS" TO COVER REMAINING DEFICIT

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DUE TO DEVALUATION. LATTER NET DEFICIT ESTIMATED AT AROUND

\$12 MILLION AS OF JULY 19. GROUP WAS GENERALLY FAVORABLE TO US PROPOSAL, BUT NUMEROUS PROBLEMS INVOLVED IN IMPLEMENTATION OF PROPOSAL CITED. ALL AGREED TO SUBMIT US PROPOSAL TO THEIR GOVERNMENTS FOR INSTRUCTIONS PRIOR TO CONVENING OF 93RD EXBD. CHAIRMAN ASKED US PERMDEL TO CIRCULATE TEXT OF DR TO GG MEMBERS FOR STUDY. (TEXT OF DR FOLLOWS BY SEPTTEL FOR DEPT'S CONSIDERATION.)

NEGATIVE OR POSSIBLY NEGATIVE ASPECTS OF LOAN PROPOSAL RAISED BY GROUP MEMBERS WERE: 1) LOAN INTEREST WOULD INCREASE TOTAL COST OF DEVALUATION DEFICIT BY UP TO ESTIMATED 30PERCENT (8.5PERCENT TO 10 PERCENT INTEREST PER YEAR ON LOAN FOR FIVE YEARS); AD 2) DRAFT RESOLUTION CONTAINING PROPOSED LENDING AUTHORITY WILL REQUIRE TWO-THIRDS VOTE FOR PASSAGE BY GEN CONF. (RULE 81, PARA 2(J)).

OTHER PERTINENT POINTS RAISED DURING DISCUSSION WERE:

A.) AUTHORIZATION OF BORROWING AUTHORITY TO MEET BUDGETARY DEFICIT WILL ESTABLISH PRECEDENT--DESIRABLE OR NOT -- IN UNESCO ADMINISTRATIVE PROCEDURES AND WILL REQUIRE CAREFUL WEIGHING OF ALL PRO AND CON FACTORS; B) AMORTIZATION OF LOAN OVER FIVE YEAR PERIOD WILL ENABLE MEMBER STATES TO PAY BACK MOST OF LOAN AT NEW ASSESSMENT RATES (BASED ON UN SCALE) WHICH WILL BE ESTABLISHED IN 1974 AND APPLIED BEGINNING IN 1975 (THIS WILL BE ADVANTAGE TO SOME, DISADVANTAGE TO OTHERS); C) CREATION OF DEBT FOR PAST DEFICIT FINANCING MIGHT SERVE AS A DETERRENT TOWARD SECRETARIAT INCURRING NEW DEFICITS IN FUTURE AND HENCE TEND TO ENFORCE AUSTERITY, ECONOMY ON ORGANIZATION; K) US MIGHT CONSIDER INCLUDING REPAYMENT OF \$2.9 MILLION SUPPLEMENTARY ESTIMATE APPROVED BY 92ND EXBD IN TOTAL LOAN AUTHORIZATION TO BRING WHOLE DEFICIT FINANCING OPERATION INTO SINGLE PACKAGE; AND E) UN BORROWING EXPERIENCE SHOULD BE STUDIED FOR GUIDANCE TO UNESCO. GROUP HAD NO OBJECTIONS TO INCLUDING LOAN REPAYMENTS IN REGULAR UNESCO BUDGET. US REP REPORTED THAT UNESCO BUDGET DIRECTOR RAO IN RESPONSE TO CALL ON JULY 18 HAD PROPOSED INCLUDING AMORTIZATION REPAYMENTS IN NEW PART VIII OF NEXT REGULAR BUDGET. AUSTRALIAN REP COMMENTED THAT REPAYMENTS OF WCF WHICH IN PAST HAVE ALWAYS BEEN SEPARATE ASSESSMENTS ON MEMBER STATES SHOULD LIMITED OFFICIAL USE

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HAVE BEEN INCLUDED IN REGULAR BUDGETS AS A NEW PART III. COMMENT: GROUP WILL BE PREPARED AT ITS NEXT MEETING ON FRIDAY, SEPT. 7, TO GIVE VIEWS ON PROPOSED US DRAFT RESOLUTION SUGGESTING LENDING AUTHORITY. DEPT. WILL NEED TO DECIDE ON SUM TO BE AUTHORIZED. IT IS ASUMED HERE THAT SUM TO BE USED AS CEILING FOR EITHER SUPPLEMENTARY ESTIMATE OR BORROWING AUTHORITY WOULD BE SUM LISTED BY DG IN HIS EXBD DOCUMENT AS TOTAL DEVALUATION DEFICIT AS OF AUGUST, 1973. B. HEADQUARTERS

COMMITTEE ISSUES: AS SIX OF 12 MEMBERS OF GG ARE MEMBERS OF THIS COMMITTEE, US REP ASKED GROUP'S VIEWS ON TOPICS TO BE CONSIDERED. TOPICS INCLUDE DG'S PROPOSALS CONCERNING MEDIUM AND LONG TERM BUILDING SOLUTIONS. (1) MEDIUM TERM SOLUTION: COMMITTEE WILL HAVE BEFORE IT NEW PROPOSAL FOR USE OF CURRENTLY AVAILABLE LAND FOR CONSTRUCTION OF ONE PART OF SIXTH BUILDING AS WELL AS ESTIMATED DATE OF AVAILABILITY OF BALANCE OF LAND FOR ENTIRE SIXTH BUILDING. ADDED COST RESULTING FROM IMPLEMENTATION OF THIS PROPOSAL, POSSIBILITY OF REARRANGING DESIGN OF SIXTH BUILDING AND OF REDOING AMORTIZATION PLAN FOR REPAYMENT OF BUILDING WILL ALL HAVE TO BE DECIDED OR COMMENTED UPON BY COMMITTEE. (2) LONG TERM SOLUTION: DG WILL ALSO ASK COMMITTEE TO CONSIDER ALTERNATIVE PLAN WHICH WILL MAKE SIXTH BUILDING FIRST STEP IN LONG TERM SOLUTION OF UNESCO'S BUILDING NEEDS. HE WILL PROPOSE COMMITTEE CONSIDER PROSPECT OF UTILIZING QUAI JAVEL PROPERTY (ON SEINE ACROSS RIVER FROM FRENCH RADIO-TELEVISION (ORTF) BUILDING) NOW BEING ACQUIRED BY CITY OF PARIS, FOR LONG TERM SOLUTION. FRENCH REP ASSURED GROUP, NEVERTHELESS, THERE WOULD BE NO FORMAL FRENCH GOVERNMENT OFFER OF ANY KIND ALONG THESE LINES BEFORE HEADQUARTERS COMMITTEE. DG'S VIEW WILL BE THAT IT TAKES SIX OR MORE YEARS TO WORK OUT LONG TERM SOLUTION AND SINCE THERE WILL BE AND HAS ALREADY BEEN DELAY IN CONSTRUCTION OF SIXTH BUILDING OR IN REALIZATION OF MEDIUM TERM SOLUTION, PERHAPS IT IS WISER FOR ORGANIZATION TO JUMP DIRECTLY TO CONSIDERATION OF LONG TERM SOLUTION NOW.

A. GROUP CONCLUDED THAT HQ COM WOULD NOT BE ABLE TO TAKE FINAL DECISIONS ON MOST OF ABOVE ISSUES JULY 23-24, BUT THAT FURTHER CONSULTATIONS WITH GOVERNMENTS WOULD BE ESSENTIAL TO OBTAIN FORMAL POLICY POSITIONS. SWISS DEL INSISTED THAT SIXTH BUILDING SHOULD IN NO CASE SERVE AS FIRST PHASE OF LONG TERM SOLUTION, PARTICULARLY WERE IT TO BE CONSTRUCTED ON PROPERTY LIMITED OFFICIAL USE

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SUFFICIENTLY LARGE TO HOUSE ENTIRE ORGANIZATION IN SINGLE NEW UNIT. DG, NATURALLY, INTENDS TO OFFER PRESENT COMPLEX OF FIVE BUILDINGS, EXTREMELY WELL LOCATED FROM VIEWPOINT OF FRENCH GOVERNMENT, AS PARTIAL CAPITAL PAYMENT FOR NEW PROJECT.

C. DG SUCCESSION: SEE SEPTEL.

D. SUBMISSION OF OBJECTIVES/ STRATEGIES PAPERS: ALL GG MEMBERS PRESENT EXCEPT FRG REPORTED THEY HAD SUBMITTED PAPERS AND ALL BUT AUSTRALIA BEFORE EXTENDED JULY 7 DEADLINE. AUSTRALIAN REP REPORTED THAT ONLY THOSE PAPERS SUBMITTED BEFORE JULY

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